

**MINUTES OF THE JOINT CAPITAL FACILITIES AND ADMINISTRATIVE SERVICES
APPROPRIATIONS SUBCOMMITTEE
Monday, January 22, 2001, 2:00 p.m.
Room 131, State Capitol Building
CORRECTED MINUTES**

Members Present: Rep. Gerry Adair
Sen. Beverly Evans
Sen. Mike Dmitrich
Rep. Jeff Alexander
Rep. Roger Barrus
Rep. DeMar "Bud" Bowman
Rep. David Clark
Rep. Kevin Garn
Rep. Brent Goodfellow
Rep. Ty McCartney
Rep. Loraine Pace

Members Absent: Sen. John Valentine
Rep. Ralph Becker
Rep. Greg Curtis

Staff Present: Kevin Walthers, Fiscal Analyst
Jonathon Ball, Fiscal Analyst
Sharon Johnson, Secretary

The meeting was called to order at 2:05 p.m. by Rep. Adair

1. Office of State Debt Collection (Tab 22)

Raylene Ireland, DAS, introduced Gwen Anderson, Director of State Debt Collection. Ms. Anderson explained that the office manages and coordinates all past due debt owed to the state. The office contracts with two private vendors, GC Services and OSI, who make the collections. The addition of a third vendor is underway right now. Costs of collection are paid by the debtors. The state is making progress in collecting outstanding debt and is ahead in collections now as compared to last year at this time.

The Analyst, Kevin Walthers explained that OSDC is generating more revenue than expense and should no longer need appropriations from the General Fund. He recommended that dedicated credits fund the office. Revenue should come from debtor and the office is not expected to make money, also retained earnings should not be allowed to get too high. With the conversion of OSDC to an Internal Service fund they are prohibited from exceeding the amount of FTE's approved by the legislature. Two more FTE's are recommended by the analyst and these will be funded from Internal Service Fund and not the General Fund.

Rep. Clark asked for an explanation of funding sources for OSDC and for which agencies OSDC does collections. Mr. Walthers responded that the debtor, not the agency, pays for collection. Ms. Anderson explained that each agency turns collections over at a different time.

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Rep. Adair questioned Ms. Anderson on the interest and penalties that are assessed. She responded that interest accrues on the balance owed. There are additional penalty fees of 5% and a collection fee of 17%. Rep. Adair asked if there are a sufficient number of employees and the response was that OSDC is short handed. If they had more help they could work with the agencies to turn over accounts faster. Rep. Adair also inquired if money recovered from Office of Recovery Services goes to the state or parent first. Kevin Walthers clarified that the policy of ORS is for parents to be paid first.

Rep. Clark asked Ms. Anderson about the percent of outstanding debt versus the amount collected and how we compare to other states. Ms. Anderson explained that this varies between agencies because some agencies turn over current debt while other agencies, such as courts, turn over very old debt which is harder to collect. It is difficult to compare Utah to other states because Utah is unique in their debt service. Utah's collection is centralized and surrounding states do not use the same type of program. Centralization has worked well for OSDC and collections are improving. She explained that accounts are distributed to vendors based on the percentage collections that they bring in.

Rep. Barrus inquired about the responsibilities an additional FTE would have and if some cost/benefit analysis had been done. Rep. Goodfellow then questioned Ms. Anderson about contracting with a California vendor if one from Utah is available? She responded that the California vendor has additional tools, better rates and greater experience. Rep. Goodfellow encouraged the office to use Utah vendors in the future. Rep. Adair asked for an explanation of doubtful accounts. These are debts that are not paid for a long time and the office gets only a small percentage of it back. As agencies turn over accounts faster with newer debt that allowance should improve.

The Analyst distributed intent language that clarifies who is paying the collection costs. The intent language states that costs are passed on to the debtor.

MOTION: Rep. Bowman moved to accept proposed language,

"It is the intent of the Legislature that the Office of State Debt Collection be authorized to establish reasonable cost of collection to be passed onto the debtor including attorney fees, all legal costs and administrative costs unless inappropriate or prohibited by law."

Rep. Garn commented on the office deficit and retained earnings. If the office is breaking even then there should not be a need to go to retained earnings or fee increases. The Analyst clarified that the deficit is a result of the reduction from the General Fund and the the budget should level out by 2003.

The motion passed unanimously with Sen. Dmitrich absent at time of voting.

MOTION: Sen. Evans moved to accept the OSDC budget as printed, Tab 22, page 6, for \$754,100. The motion passed unanimously with Sen. Dmitrich absent at time of voting.

Sen. Dmitrich joined the meeting and Sen. Evans stated that the previous motions lacked a quorum.

MOTION: Rep. Goodfellow moved to approve the minutes of January 17, 2001. The motion passed unanimously.

MOTION: Rep. Bowman moved to accept the aforementioned intent language for OSDC. The motion passed unanimously.

MOTION: Sen. Evans moved to accept the OSDC budget on page 6. Rep. Alexander asked about the two additional FTE's in the budget and was told that they were not new positions but transfers. The motion passed unanimously

2. Archives (Tab 4)

Mr. Walthers told the committee about turnover of employees at Archives. Professional archivists have been hired at entry level by the state and after they are trained they leave for higher salaries. The Analyst recommends an appropriation to improve the salary situation at Archives.

Rep. Garn asked what the entry level salary is and requested salary comparisons. The Analyst answered that non-professionals earn \$20,000 and professional employees earn \$25-33,000. Market comparisons show that the professional level is 6.2% behind surrounding states.

Kevin Walthers presented budget recommendations for records services, preservation services, and records analysis. He told the committee that the 3rd District Court records have been accessed from archives numerous times which is inefficient for the state. The court has been imaging some documents onto a CD so the records themselves do not need to be accessed. An additional imaging machine would improve the situation but funds have not been budgeted. The suggested solution is to take \$30,000 from carry-forward balances in the Indigent Defense Fund to purchase the machine and realize cost savings for Archives.

Raylene Ireland, Director DAS, introduced Jeff Johnson, Director of Archives. Mr. Johnson informed the committee of progress that has been made on cataloging previous governor's records. Kira Robertson has been working on this and she presented a report of what has been accomplished so far and included samples from the Rampton collection. The governor has requested a gubernatorial historian and the analyst recommends that Ms. Robertson continue this work.

Mr. Johnson commented on the facilities occupied by Archives. The legislators' tour on Friday didn't include the storage area and the committee was unable to see crowded situation at the Decker Lake facility. Archives currently destroys 10 tons of records per month and works with agencies to save only the necessary records. They work with the state records committee to determine what needs to be saved. The current research room is also crowded and inadequate.

Rep. Clark had questions about salary and entry level positions. Mr. Walthers responded that DAS salaries range from \$42,000-\$86,000. Archives salaries are the lowest in DAS and that inequity prompted investigation into the high turnover. Improving this inequity would not use new money but transfer it from one DAS program to another.

Rep. Pace commented on the intent language for cataloging the governor's records. The intent last year was not limited to only Rampton's and Matheson's records. She felt that earlier governors' records should be completed before addressing Governor Leavitt's records. Mr. Johnson responded that they will

continue documenting gubernatorial records until the money is gone.

The Analyst demonstrated the web site of Archives and Mr. Johnson explained that catalogs and indexes are available online. Archives is working with the LDS Church to digitize death records to be accessed by the public. Rep. Pace encouraged the committee to plan for records to be kept in a building designed for record storage.

MOTION: Sen. Evans moved to approve the Analyst's budget for Archives on Page 13, Tab 4, for \$2,027,600. The motion passed unanimously with Reps. Garn and Goodfellow absent at time of voting.

MOTION: Rep. Clark moved to adopt the Intent language on page 12 to provide non-lapsing funds for documenting Governors Matheson, Rampton and Leavitt's records.

"It is the intent of the Legislature that funds for the State Division of Archives not lapse and that those funds be used to catalogue documents generated by Governors Matheson, Rampton, and Leavitt."

SUBSTITUTE MOTION: Rep. Pace moved to substitute the motion and delete "Governors Matheson, Rampton, and Leavitt" and insert "former governors"

"It is the intent of the Legislature that funds for the State Division of Archives not lapse and that those funds be to used catalogue documents generated by ~~Governors Matheson, Rampton, and Leavitt~~ former governors."

The substitute motion passed unanimously with Reps. Garn and Goodfellow absent at time of voting.

MOTION: Rep Alexander moved to adopt the intent language on page 6 as follows,

"It is the intent of the Legislature that the Division of Archives use ~~these funds~~ \$100,000 to improve employee retention through enhanced salaries. The funds may be used for any non-exempt position within the division that is demonstrated to have high turnover or below market wages but may not be used to add additional staff."

The motion passed unanimously with Reps. Garn and Goodfellow absent at time of voting.

3. DFCM Internal Service Funds (Tab 19)

Kevin Walthers gave an overview to the committee of DFCM's Facilities Management responsibilities. Jack Quintana is the Program Director for DFCM.

DFCM manages 4 million square feet of state owned space and competes with private vendors in getting maintenance contracts. Mr. Walthers explained the need for employee transfers in DFCM from Planning and Design and the necessity for the intent language on Page 5 that gives DFCM flexibility in increasing FTE's yet retaining legislative oversight. Sen. Dmitrich commented on legislative approval of additional FTE's.

Raylene Ireland presented Jack Quintana, Facilities and Maintenance, and his credentials.

Rep. Clark had concerns about increasing FTE's without prior legislative approval. The analyst responded that this language is specifically for DFCM in order to maintain flexibility and service and that it wouldn't grow beyond control due to monthly reports and interim communication with the committee

chairs.

Rep. Clark commented on past procedures and the committee discussed having trained facility managers and quality maintenance. Mr. Quintana explained maintenance responsibility of Higher Ed, DFCM, and other state agencies. He presented the ISF Annual Report to the committee which gave detailed information on Facilities Management.

Rep Adair asked for further information on the increase of square footage being managed from last year to this year. Rep. Barrus inquired about the standards used by DFCM. Mr. Quintana responded that they compete against the private sector. DFCM's maintenance projections are \$3.99 per square foot which is less than city or federal government costs. Rep. Goodfellow commented on previous funding formulas established by the committee. Mr. Quintana answered that .90 per square foot, operations, repair and maintenance has been funded.

Mr. Walthers addressed Tab 20, Planning and Design. The initial plan was that Planning and Design would maximize utilization of space and increase efficiency while saving money. The program did not work as planned so the recommendation is to eliminate Planning and Design. There are currently five FTE's in Planning and Design, three of those are non-skilled positions that would be eliminated. The other two FTE's would be transferred to the Facilities Management group for CAD drawings. This would not be new work but a continuation of existing work for these employees. The retained earnings balance of Planning and Design would need to be resolved and there is intent language to take care of this by transferring it. The Analyst's recommendation on page 6 is \$0.

Mr Quintana brought information about the upcoming energy crisis to the attention of the committee. There will be a future impact on the facilities they manage and with no money appropriated for this there will be a deficit in future. Mr. Walthers agreed this is a valid concern and the Fiscal Analyst's office is watching this. There needs to be an official memo from DFCM presented to the Fiscal office.

MOTION: Rep. McCartney moved to approve the Analyst's figure of \$0 on page 6, Tab 20. The motion passed unanimously with Rep. Garn absent at time of voting.

MOTION: Rep. Barrus moved to accept intent language transferring retained earnings as follows,
"It is the intent of the legislature that the Facilities Management Internal Service Fund be allowed to transfer its contributed capital balance of \$171,719.80 to retained earnings. This transfer will eliminate a portion of the \$256,040 deficit retained earnings balance of the Planning and Design Program."

The motion passed unanimously with Rep. Garn absent at time of voting.

MOTION: Rep Pace moved to accept the Facilities Management Budget on page 7 of Tab 19, for \$18,300,800. The motion passed unanimously with Rep. Garn absent at time of voting.

MOTION: Rep. Alexander moved to adopt intent language on page 5, Tab 19
"It is the intent of the Legislature that DFCM's internal service fund may add FTE's beyond the authorized level if new facilities come on line or maintenance agreements are requested. Any added FTE's will be reviewed and approved by the Legislature in the next Legislative Session."

The motion passed unanimously with Rep. Garn absent at time of voting.

Mr. Walthers presented the Roofing and Paving information in Tab 21. He stated that the program is doing well and uses the private sector instead of state employees. Ms. Ireland and Mr. Quintana both agreed that performance based bidding and projects were working well. The contractors accept liabilities and propose solutions to problems. So far projects completed have been under budget and on time with few change orders.

MOTION: Rep. McCartney moved to accept the Analyst's recommendation for Roofing and Paving on page 6, Tab 21, for \$484,900. The motion passed unanimously with Rep. Garn absent at time of voting.

4. Risk Management (Tab 18)

The Analyst explained that the state is self funded for insurance, property and liability. Rates are based on information from actuaries that the state contracts with. He informed the committee about a fire at the Ogden ATC that burned a building under construction for a Truck Driving program for the ATC. Mr. Walthers also explained that Third Substitute SB 35 doubled the state's liability limit and set a cap on damage claims. 74% of the increase in liability coverage for this fiscal year is related to this law. The Analyst recommends full funding of this increase for state agencies since the increase is a result of state law. The Risk Management Budget includes revenue for this.

Ms. Ireland introduced Alan Edwards, Risk Management. Risk Management functions like an insurance company, it relies on actuarial studies and has a sound footing. Rep. Goodfellow: commented on trends for Higher Education and Transportation. Mr. Edwards responded to his concerns. Rep. Pace asked about excess retained earnings and rebates. Mr. Edwards explained that a balance is kept between the subgroups to maintain equity. Rep. Pace also inquired about liability differences in Transportation and Public Safety and the differences were explained. Mr. Edwards also explained how Risk Management is involved with claims at the Universities. Rep. Barrus asked for further explanation of the liability premium increases on page 4. Rep. Pace questioned Mr. Edwards as to how many agencies use Risk Management. He responded that many are required to use them but many others choose to contract with them. Rep. Clark asked about current expense and reserves. Mr Edwards responded.

MOTION: Rep. Clark moved to accept the Analyst's recommendation for Risk Management on Page 8, Tab 18, for \$31,249,000. The motion passed unanimously with Rep. Garn absent at time of voting.

5. Fleet operations (Tab 16)

Mr. Walthers presented Fleet Operations information to the committee. He explained about federal surplus property that is collected and donated to colleges, cities, etc if needed at no cost, except for a processing fee. Currently he projects a profit in this program which should lead to a reduction in rates. State surplus property is currently operating at a deficit. The rate for dealing with items is sometimes greater than the value of the item being disposed. The Analyst proposes using online auctions to gain savings. Jonathon Ball presented information on the pilot project the state has been using. E-Utah is supposed to put together a site to list items for sale but the Analyst recommends using a commercial site

for better exposure which has had good success in other states.

Fleet Services use of gas cards for state vehicles is doing well. This program is the key for vehicle maintenance of state owned vehicles. Each vehicle is monitored for repair records and oil changes through the gas card. Also there are no taxes and gas prices are discounted. Purchase of new equipment and replacements can all be handled within the existing budget.

The figures for Fleet Services Administration-FY 2002 on page 5 were incorrectly printed. The \$27 million figure should be \$37,110,500, and the percent should be 2.26% not 3.06%. The committee was told to disregard the remaining paragraph on the bottom of page 5. There has been a change in accounting method for fleet services. Costs are now allocated across all agencies.

In recent years Motor Pool has been implementing changes in consolidating the fleet. The fleet is getting smaller because agencies now pay the full cost of the vehicle. Previously agencies would pay for the new vehicle but when the vehicle needed replacement that cost was higher than the initial purchase so the state has been operating at a deficit. Fleet capitalization received \$4 million to reduce need for General Fund Borrowing and the Analyst recommends continuing that appropriation for both the Internal Service Fund and the General Fund. The committee also reviewed the Fleet Management report card. In this case a "B" is an OK grade. This report is designed to make agencies perform better.

The Analyst reported on Alternative Fuel Vehicles. While these vehicles are federally required they do not have to cost more than a standard vehicle. Using Flexible Fuel Vehicles can save the state money. There are no more Electric vehicles in the fleet.

Rep. Adair told the committee that votes on Fleet Operations would take place on Wednesday. Ms. Ireland introduced Steve Saltzgiver, Director of Fleet Operations. Mr. Saltzgiver stated that Fleet Operations has administrative oversight of the state fleet. The Motor pool has 11 segments with a shuttle service to connect them. Most agencies use monthly leases for agencies. The fuel network operation is successful and the state has received awards for this program, which has led to larger savings. Using a centralized operation has reduced overhead on vehicles and has led to a \$1.6 million decrease per year. A state information system has been implemented. Grades are received on that data which is used to reduce fleet costs.

Rep Adair asked how many cars are in Higher Ed. and who control those vehicles. The answer was 1839 are used by Higher Ed. These cars have day to day maintenance done by the schools, although they are managed by Motor Pool. Rep. Adair also asked about reimbursement for use of personal vehicles and how often personal vehicles are used. Mr. Saltzgiver responded that personal vehicles are reimbursed at a lowered rate of .25 per mile, which is the Fleet cost. If no fleet vehicle is available to them then a user of a personal vehicle would get the higher rate of .32 per mile. Rep. Adair addressed the issue of Federal Alternative Fuel Mandate and the purchase of 4 wheel drive vehicles when it is not necessary. Ms. Ireland commented that a presentation of 4x4 usage and necessity would be presented on Wednesday.

Rep. Garn asked about the size of the fleet that they control and debt service and depreciation. Mr. Walthers addressed the problem in the General Fund of replacement cost of vehicles vs purchase cost and the debt it creates in the General Fund. The new rates should lead to improvement in the deficit and

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slowly will cover the future cost of replacing vehicles. Rep. Garn inquired if there was a plan to recover the previous 30 million or just to prevent future problems. Mr. Walthers responded that over 20 years this will be paid back under current plan. Agencies are being more careful now and utilizing resources better. Rep. Pace asked about procedures for locating surplus property. The response was by using full-time screeners.

Rep. Adair presented the agenda for Wednesday, Jan 24th.

MOTION: Rep McCartney moved to adjourn. The motion passed unanimously with Rep. Alexander absent at time of voting.

The meeting adjourned at 5:20 p.m.

Minutes reported by Sharon S. Johnson

Sen. Beverly Evans
Committee Co-Chair

Rep. Gerry Adair
Committee Co-Chair